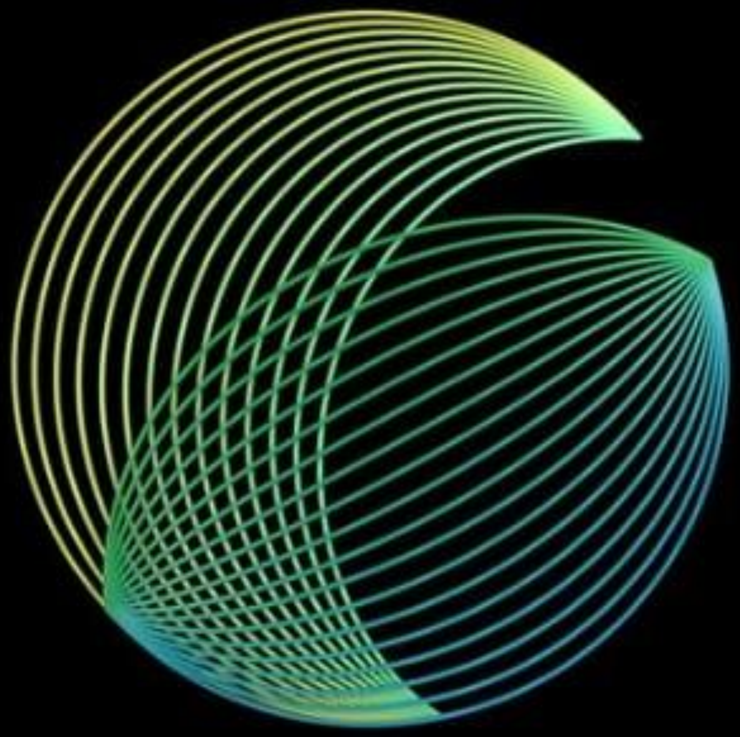
Deloitte.



Insurance Webinar Series:

2022 Insurance Industry Trends

1pm | 29 September 2021

MAKING AN IMPACT THAT MATTERS since 1845

Agenda

- Market Stats & Trends
  Ger Power | Senior Manager | Deloitte Ireland

- Sustainability
  Greg Lowe | Director of Sustainable Finance | Deloitte UK
  Marc Aboud | Director | Deloitte Ireland

- Differential Pricing, Business Continuity, and Future Considerations
  Derville Rowland | Director General, Financial Conduct | Central Bank of Ireland

- Q&A
  Moderated by Donal Lehane | Partner| Deloitte Ireland

Market Stats & Trends

Ger Power| Senior Manager| Deloitte Ireland

Irish Non Life Insurance Market

Data Sources

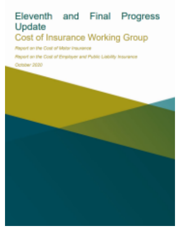
- CBI Insurance Statistics
- Central Statistics Office (CSO)
- Department of Transport, Tourism and Sport
- Road Safety Authority
- Solvency and Financial Condition Reports
- Insurance Ireland Factfiles
- Personal Injuries Assessment Board
- An Garda Síochána
- Government of Ireland (Gov.ie)
- Transport Infrastructure Ireland

Irish Non Life Insurance Market

Milestones

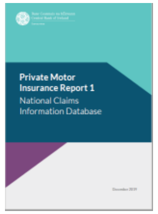
Jun 2020

Oct 2020



11th and final progress update – Cost of Insurance Working Group

Nov 2020



NCID – Private Motor Insurance Report 2

Jan 2021

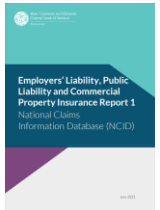
Severe Covid-19 restrictions reimposed January 2021

Mar 2021

Judicial Council vote in favour of new Personal Injuries Guidelines

July 2021

CBI Review of Differential Pricing – Final Report

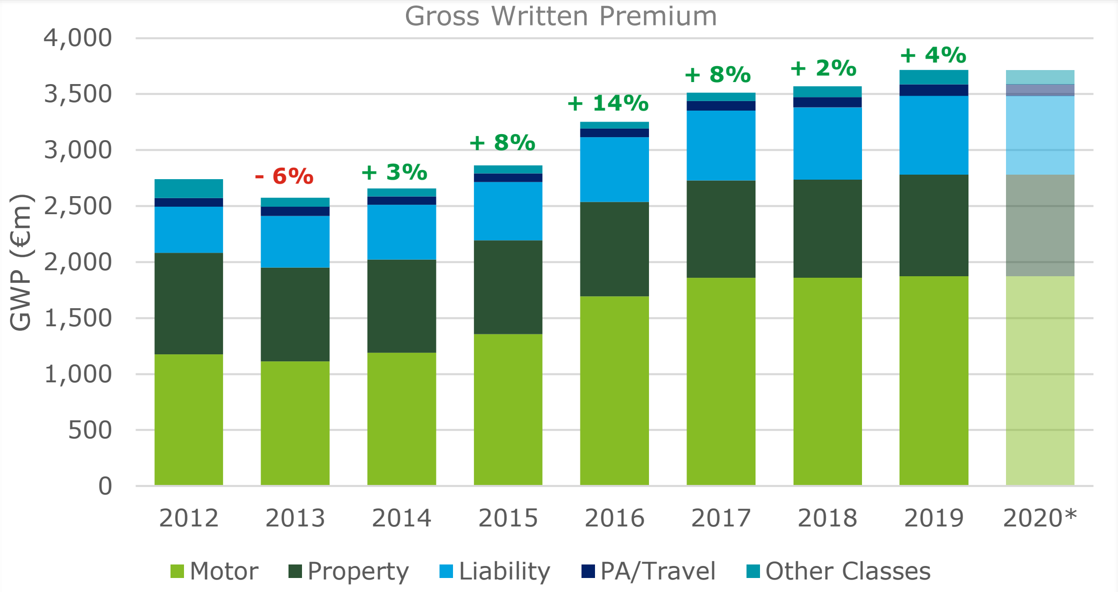


NCID – EL, PL and Commercial Property Report 1

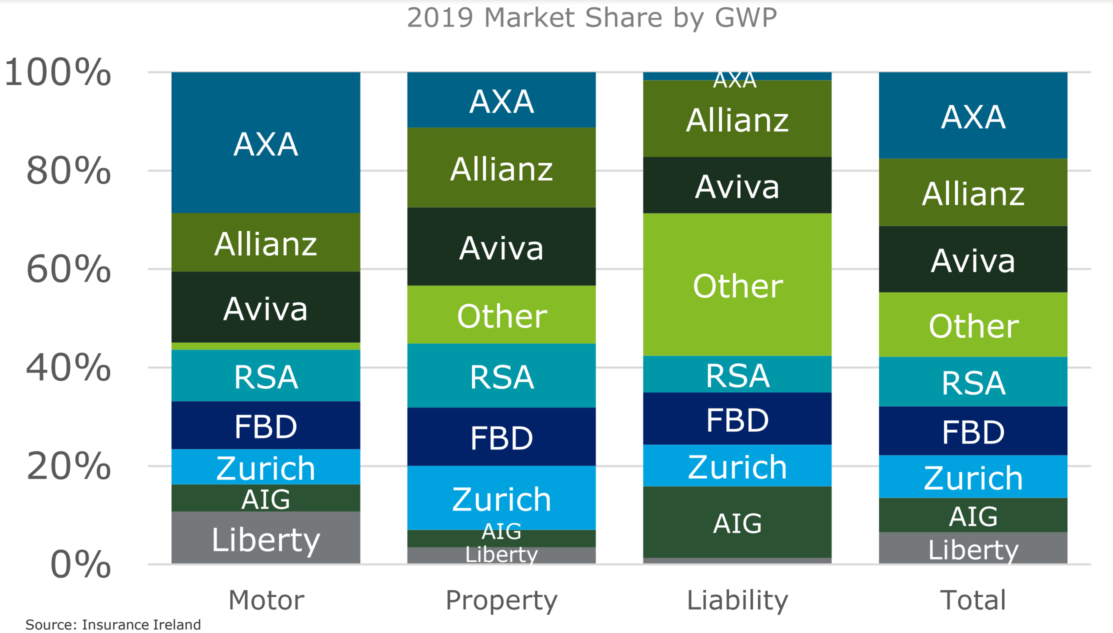
Sep 2021

Irish Non-Life Market

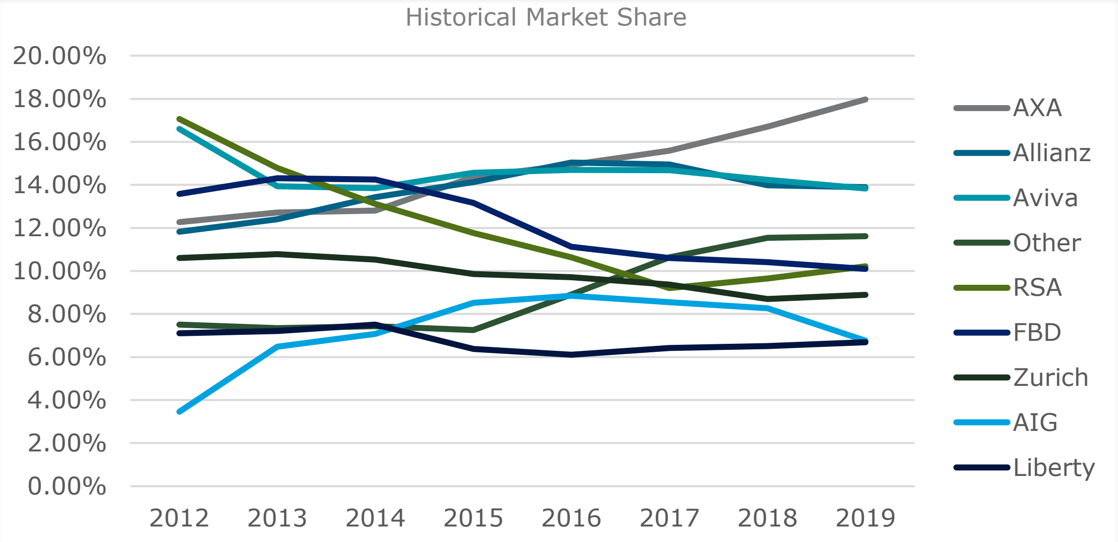
Irish Non-Life Market



Source: Insurance Ireland



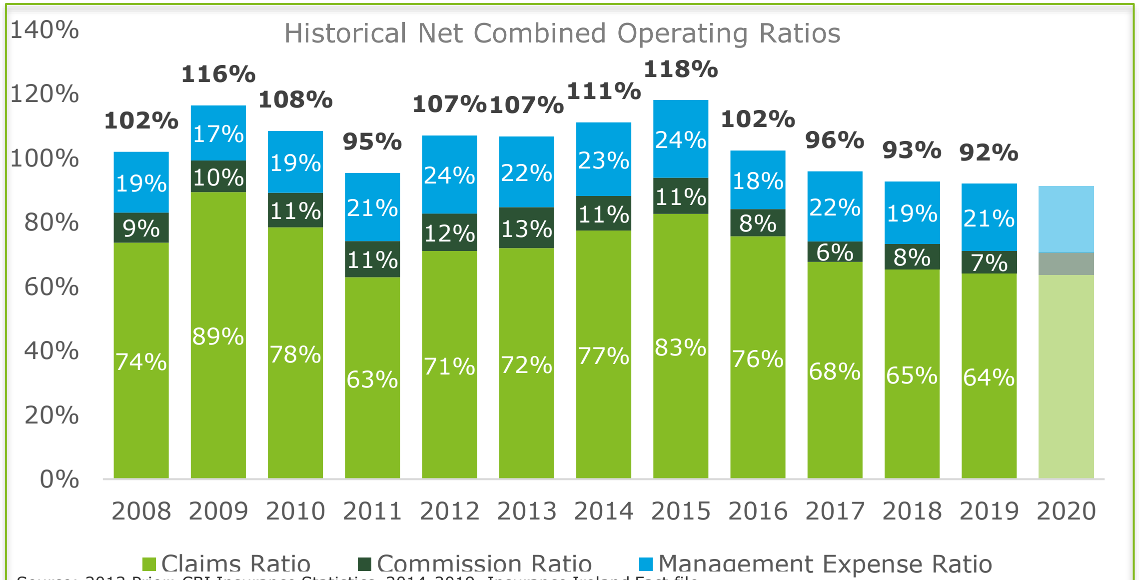
Source: Insurance Ireland



Commentary

- Market volumes have been increasing and grew again to over €3.7bn in 2019 (+4% compared to 2018, and +44% compared to 2013).
- When figures are available, volumes are expected to remain broadly stable in 2020.
- Motor continues to be the largest line of business while PA/Travel is the smallest.
- AXA has consolidated its share of the overall non-life market at 18% of GWP.
- RSA, and to a lessor extent, FBD have reduced market share over the period.
- AIG, FBD, Zurich and Allianz have a higher share of the Liability market than the Motor market.

Irish Non-Life Market– Key Trends



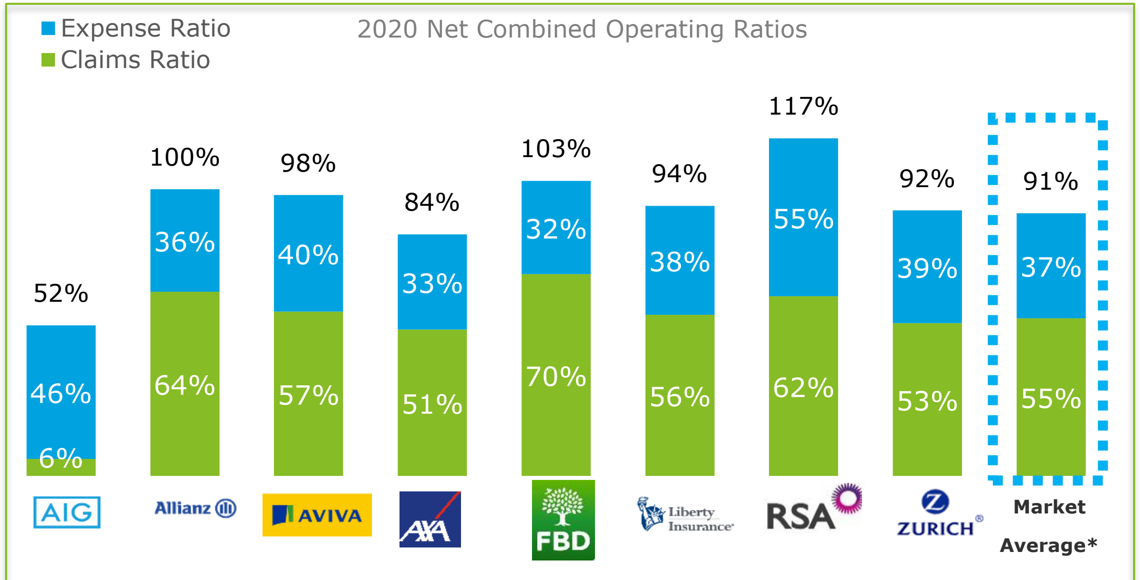
Source: 2013 Prior: CBI Insurance Statistics, 2014-2019 Insurance Ireland Fact file

* 2020 is a market estimate

Commentary

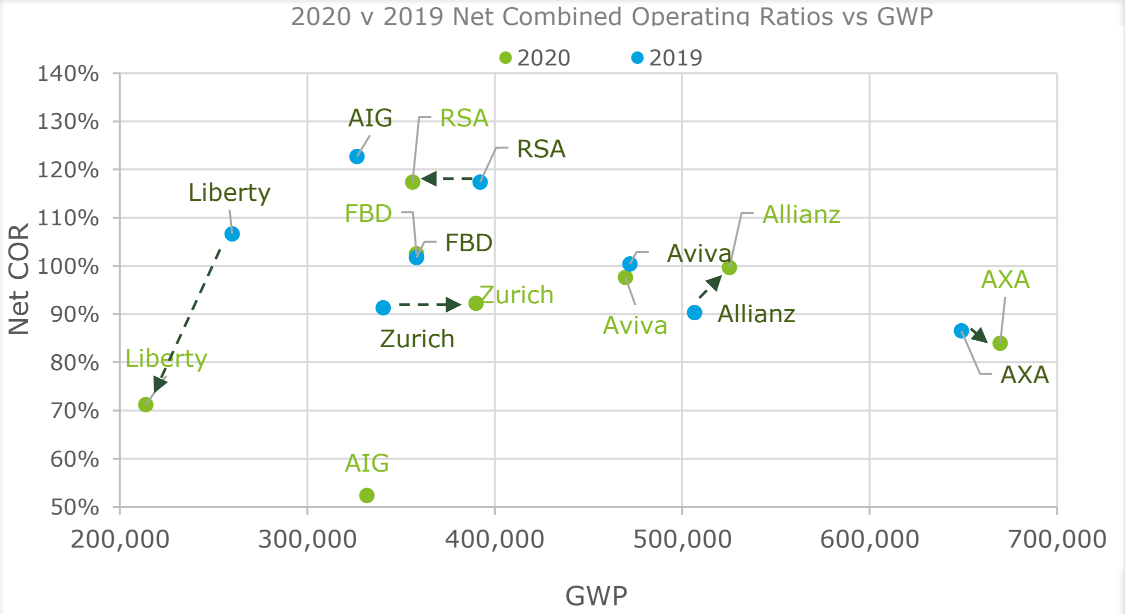
- There has been an clear improvement in the Net COR since 2015 and the underwriting cycle is clearly visible.
- Over the last 11 years to 2019 only 4 years produced underwriting profit.
- Based on 2020 SFCRs, 2020 is also expected to be profitable.
- 5 of 8 companies have been profitable in 2020 based on SFCRs
- Group reinsurance structures skew some results

Source: Insurance Ireland



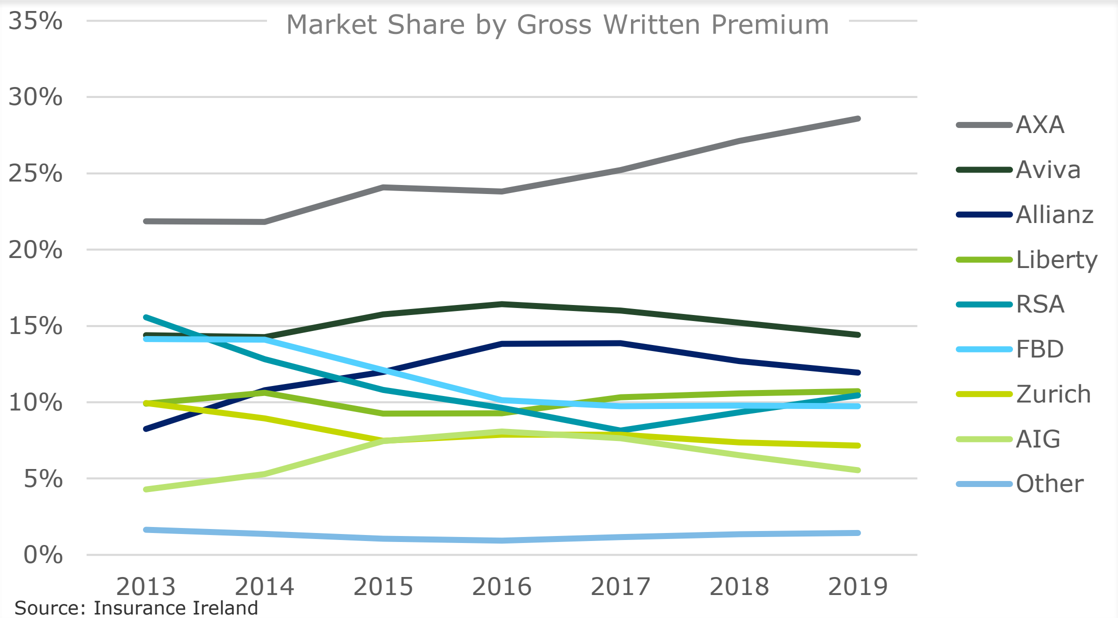
Source: 2020 SFCRs

Combined Operating Ratio = Claims Ratio + Expense Ratio

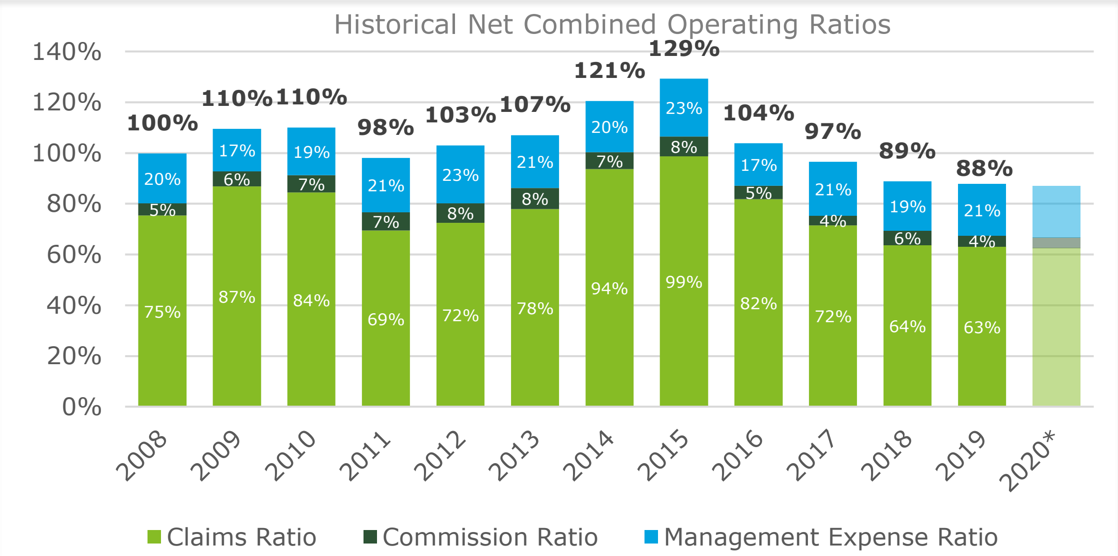


Irish Motor Market

Irish Motor Market – Key Trends

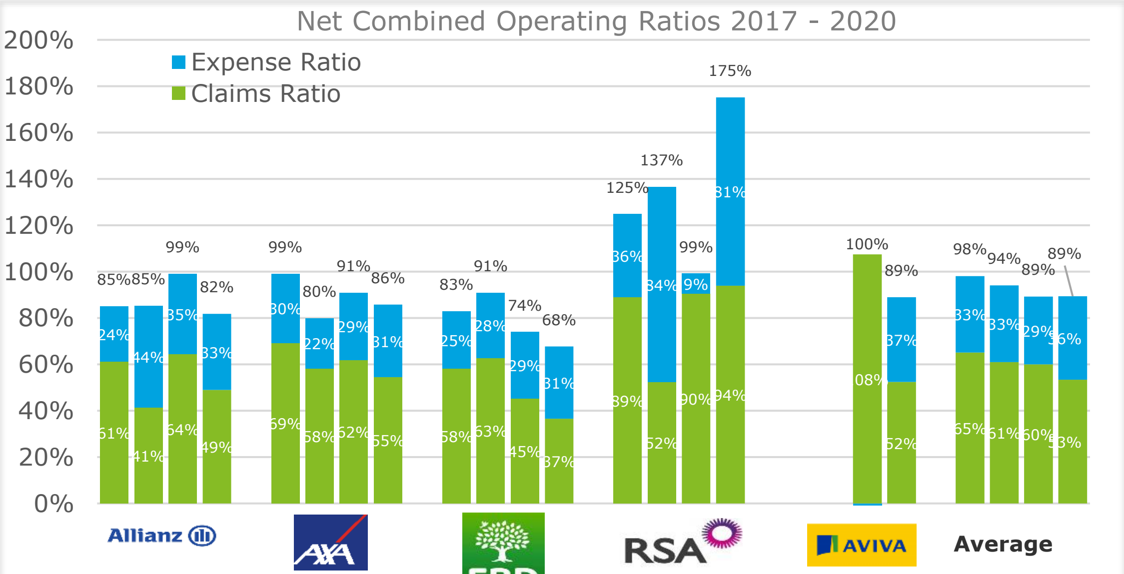


Source: Insurance Ireland



Source: 2012-2019 Insurance Ireland Factfile, Government of Ireland

* 2020 is an estimate

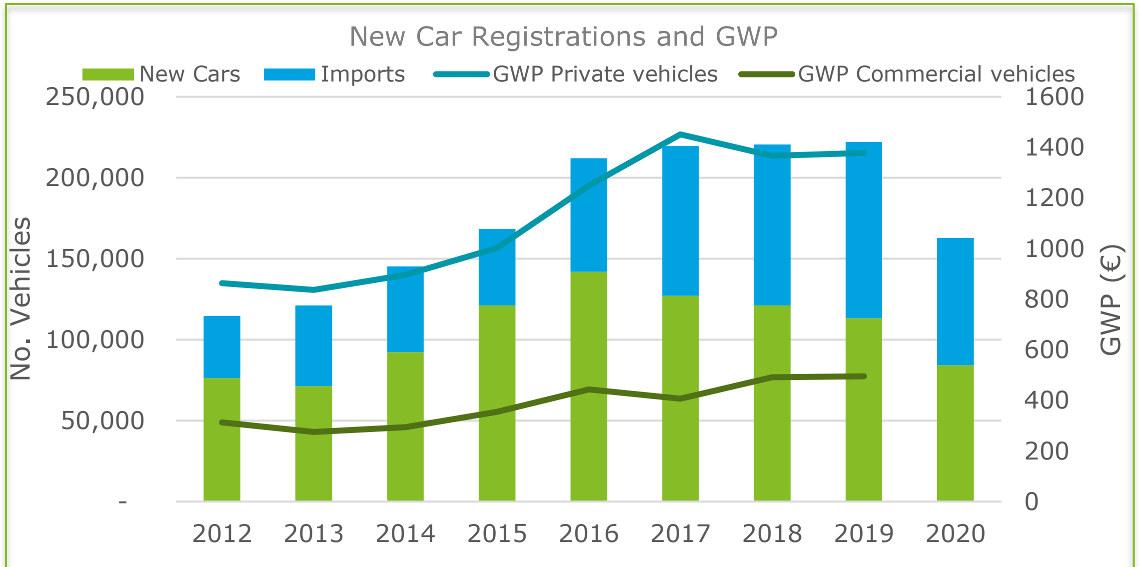


Source: SFCRs

Commentary

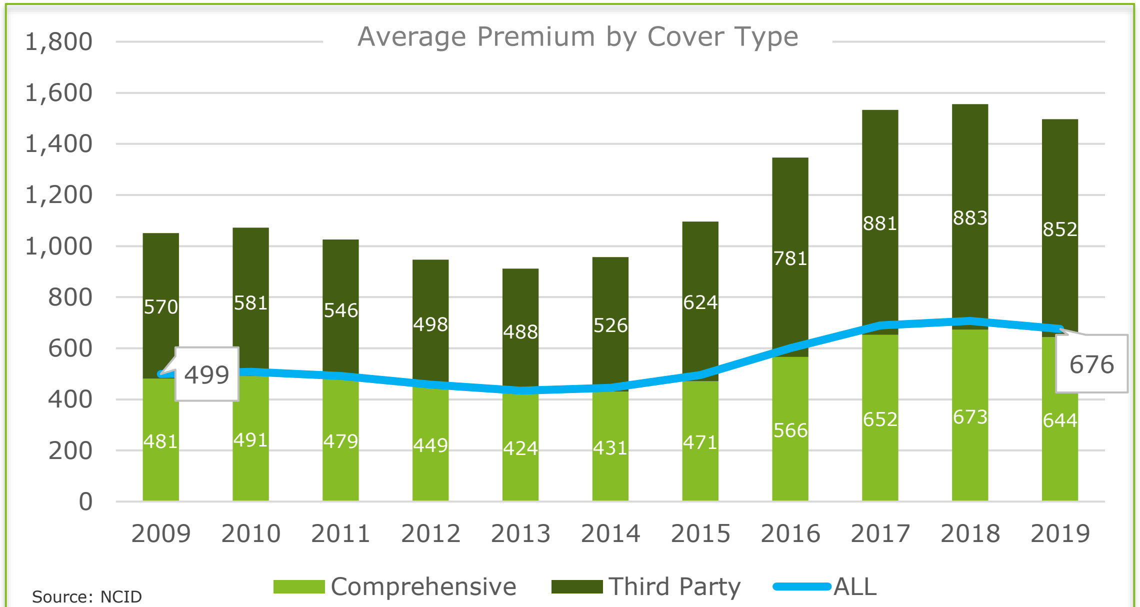
- AXA have increased market share from 19.8% to 28.6% since 2012.
- Allianz have also increased considerably from 6.8% to 11.9%.
- RSA has decreased from 15.6% to 10.4% from 2013 to 2019.
- Zurich and AIG have the smallest market shares with 7.2% and 5.6% respectively.
- Net COR remained stable on average in 2020 at 89%.

Irish Motor Market – Key Trends

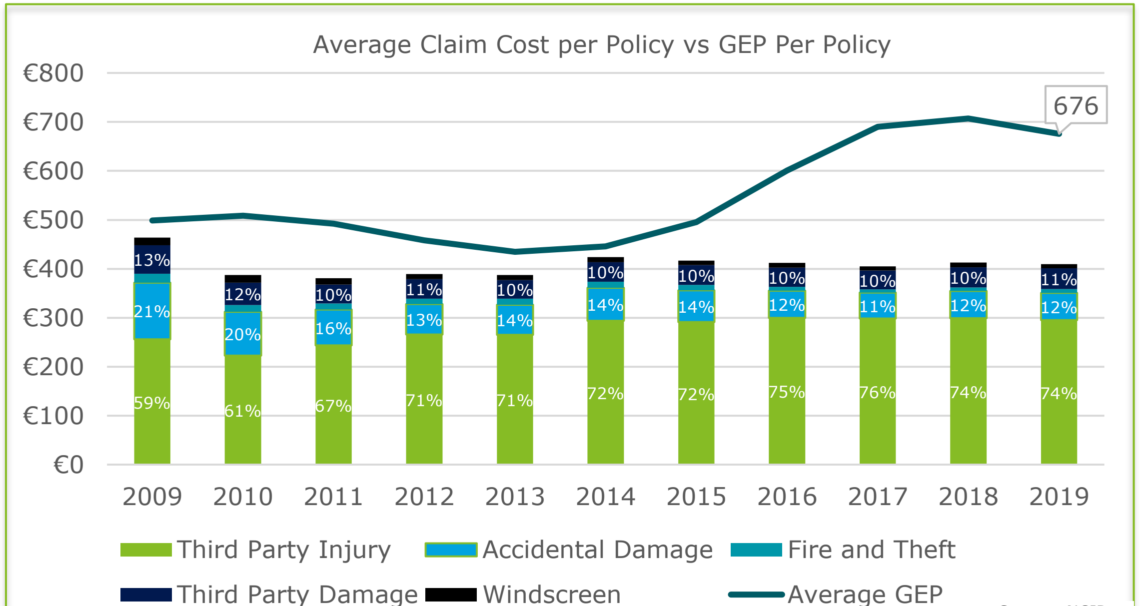


Source: 2012-2019 Insurance Ireland Factfile, Government of Ireland

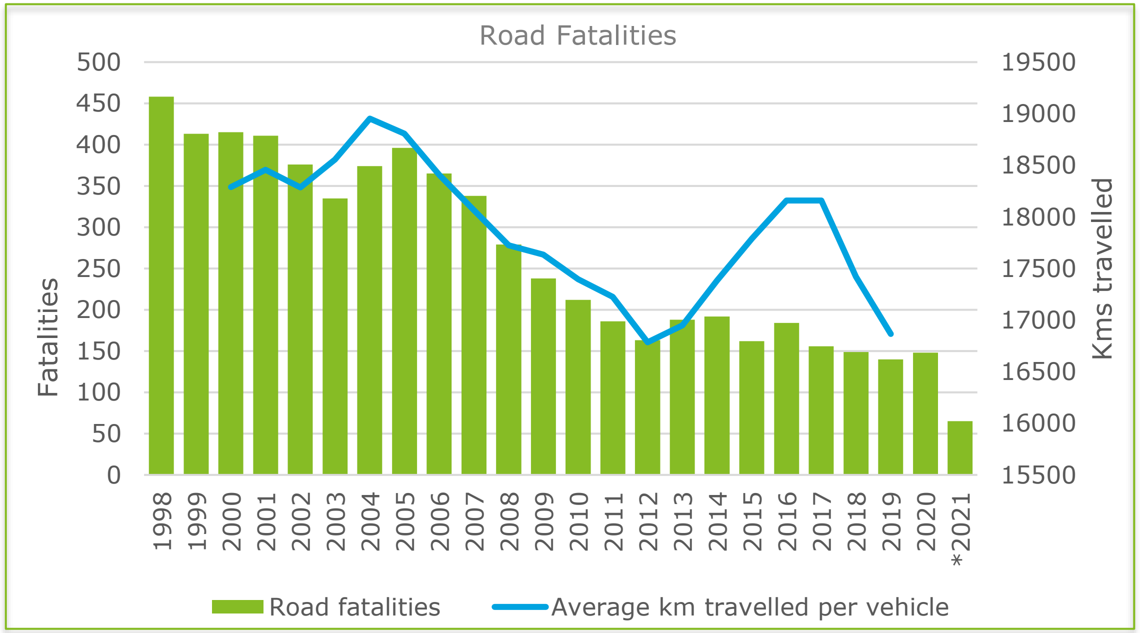
*2021 values are YTD



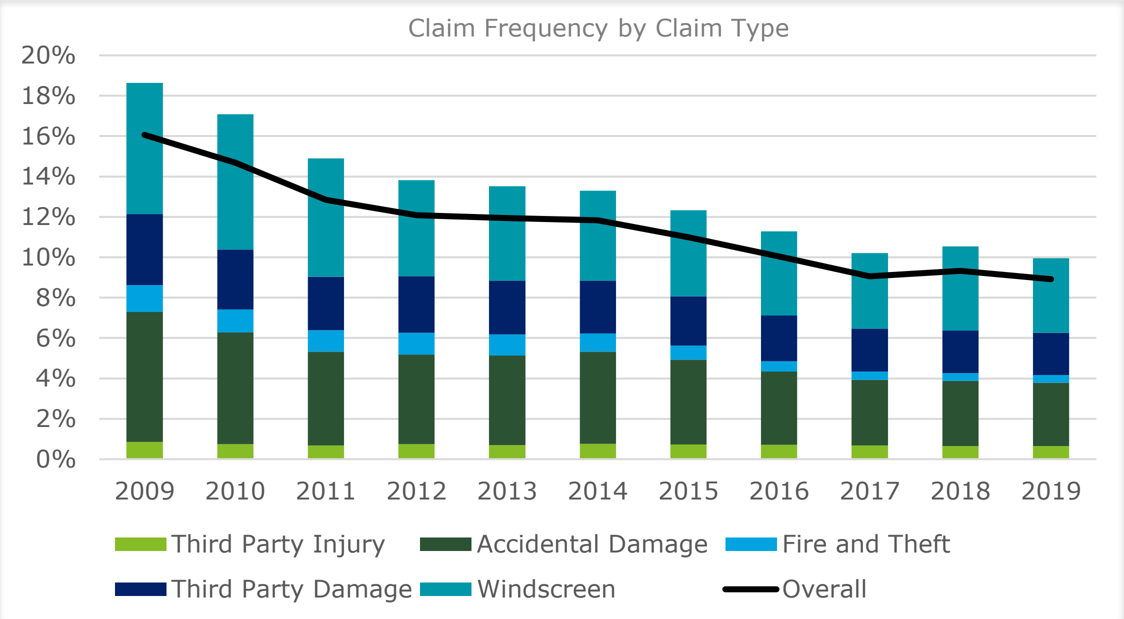
Source: NCID

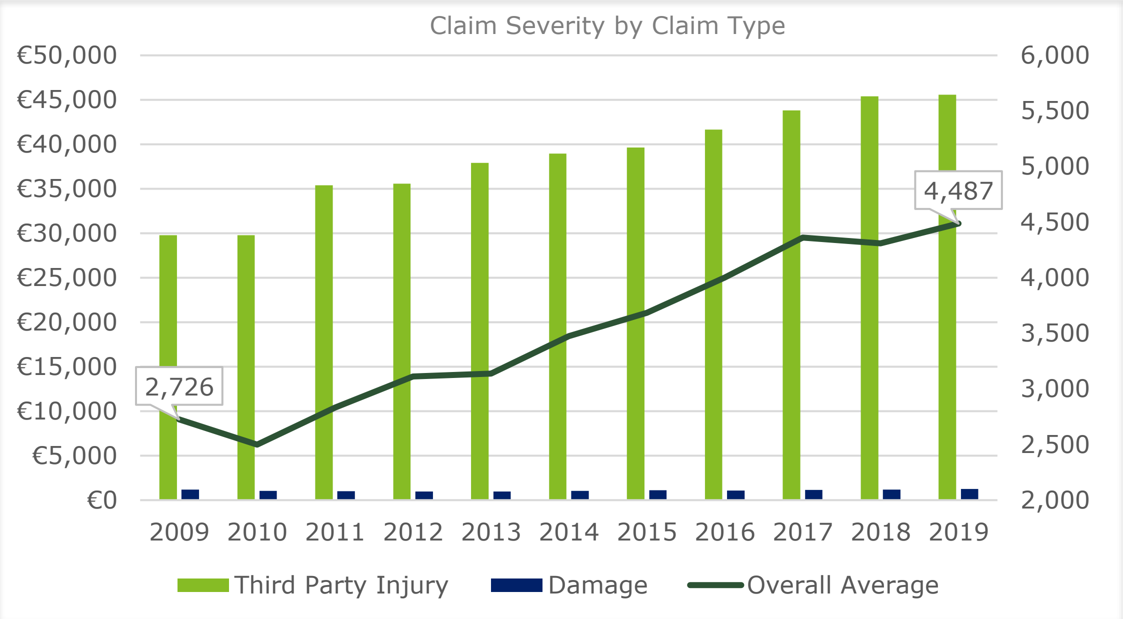


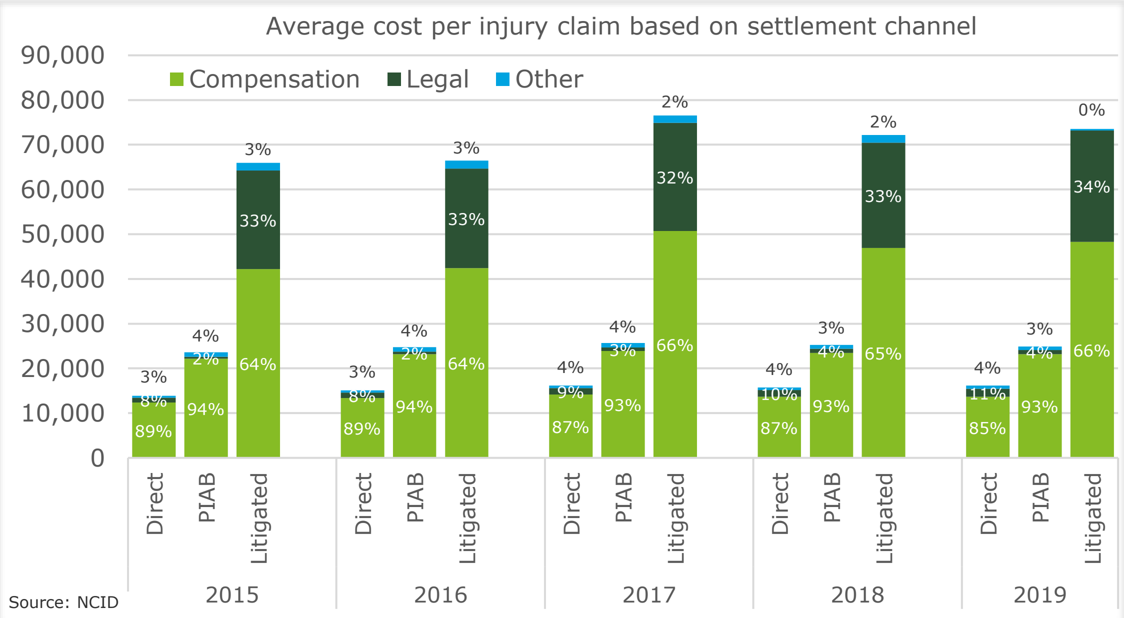
Source: NCID



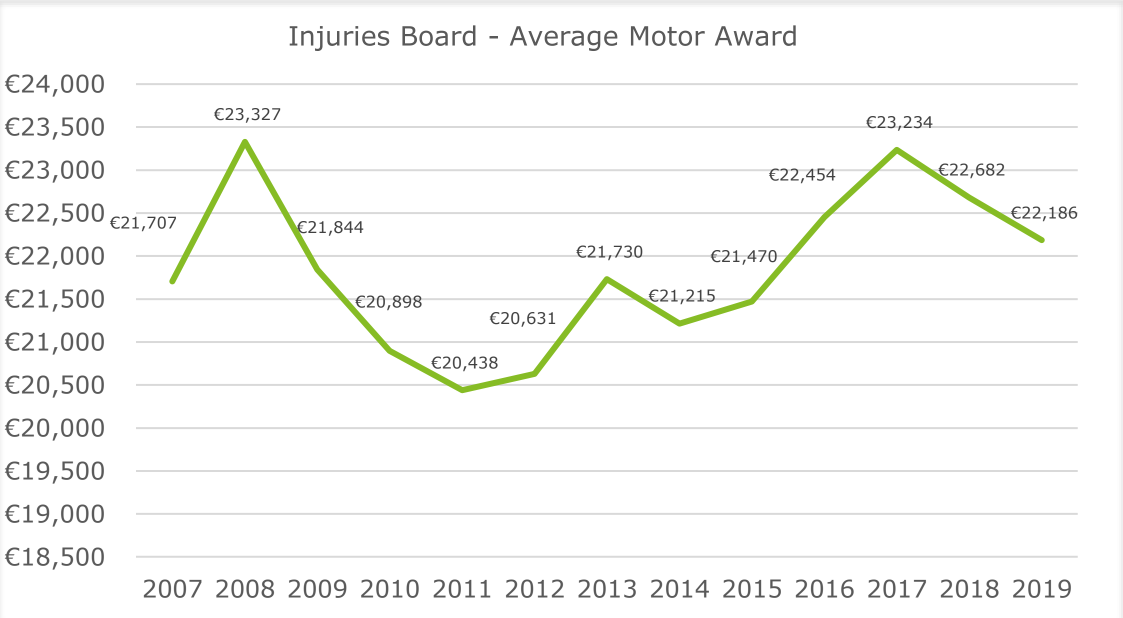
Irish Motor Market – Claim Trends



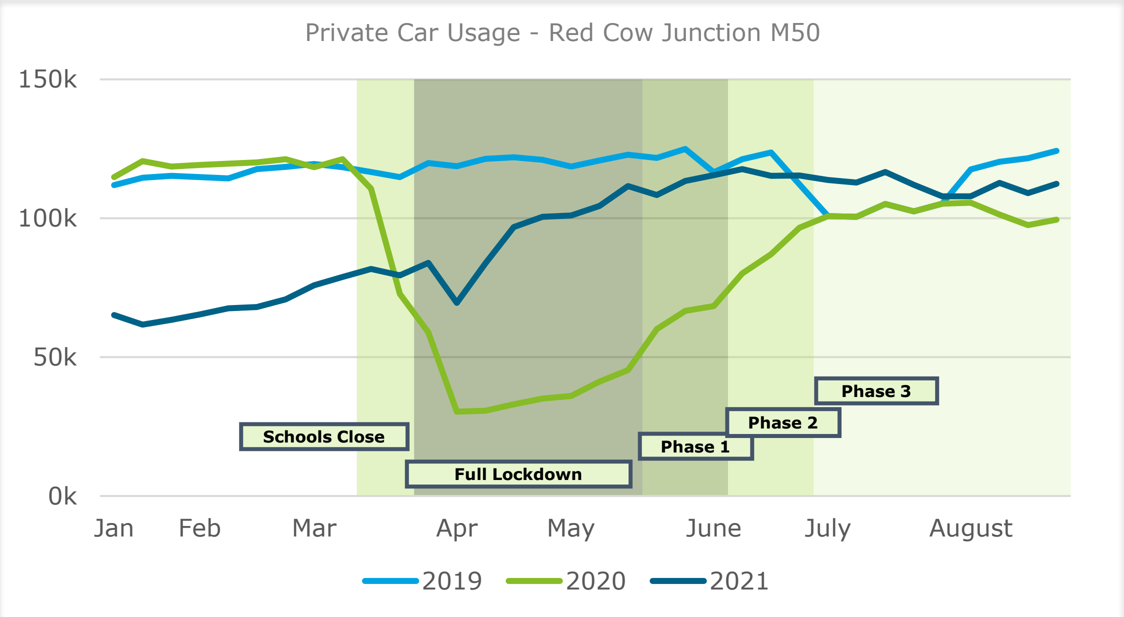


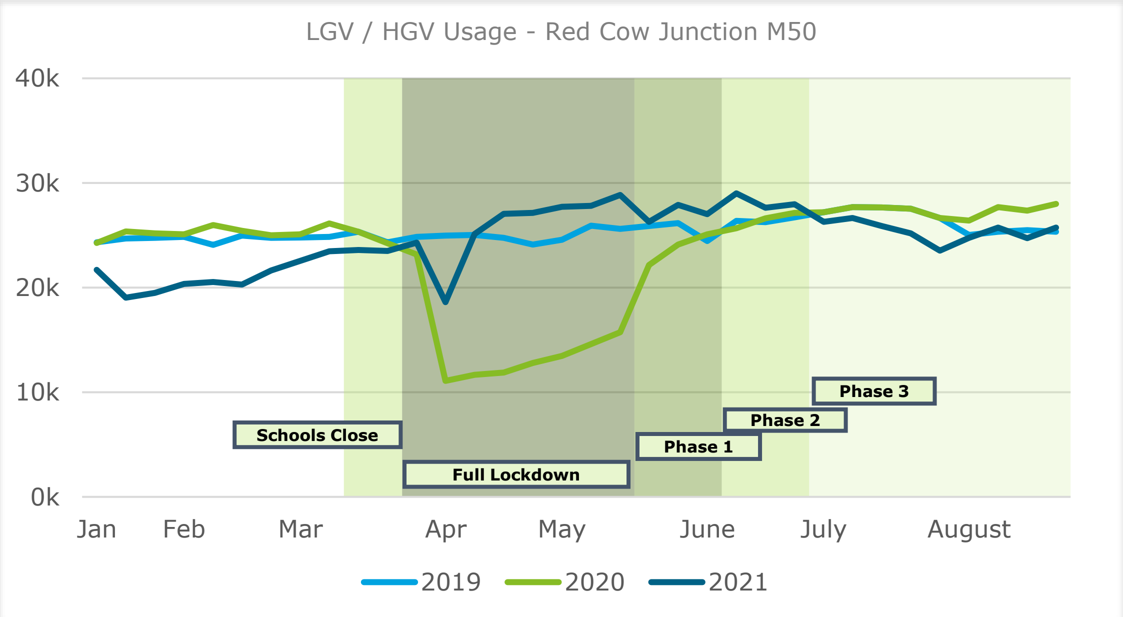


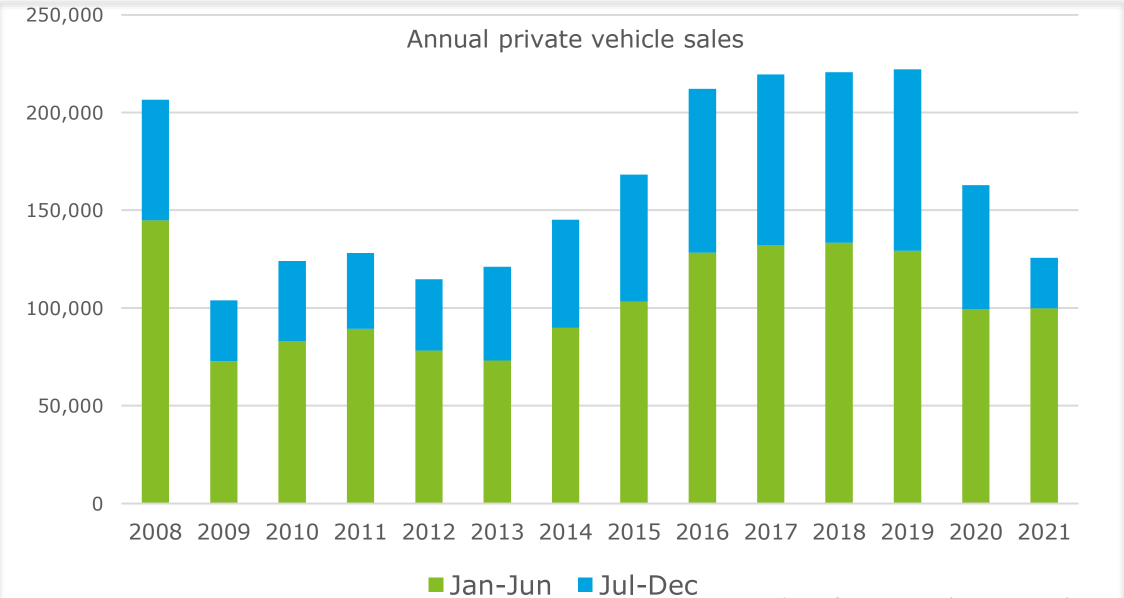
Source: NCID



Effect of Covid 19 on Irish Motor Market







Source: CSO *Data for 2021 is inclusive up to July

Commentary

Private Car Usage

- There was a 78% drop-off in private car usage at the trough in 2020 (one week into full lockdown)
- Recovery has coincided with the phased reopening of the economy in late 2020, however dipped at the turn of 2021 with the reimposition of restrictions.
- At end-August 2021, private car usage at the M50 in Dublin is still 2% lower than the equivalent time period in 2019.

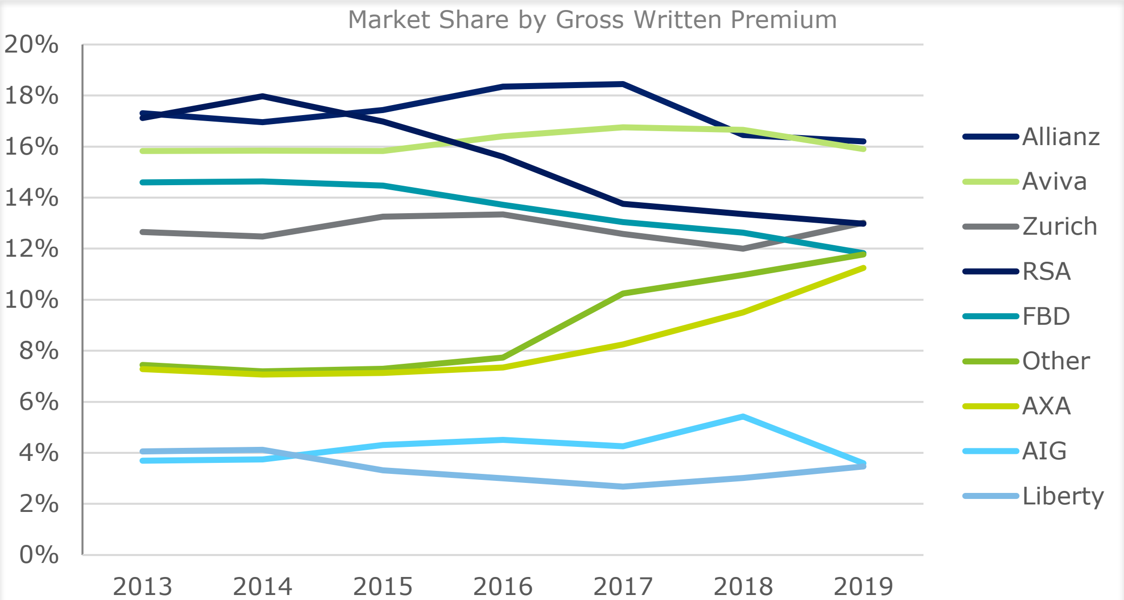
Commercial LGV/HGV Usage

- The drop-off bottomed out at 59% lower than the equivalent period in 2019.
- Recovery in commercial LGV/HGV usage was much faster, reaching comparable levels to previous years in mid June.
- As at July, activity is 6% lower than the equivalent period in 2019.

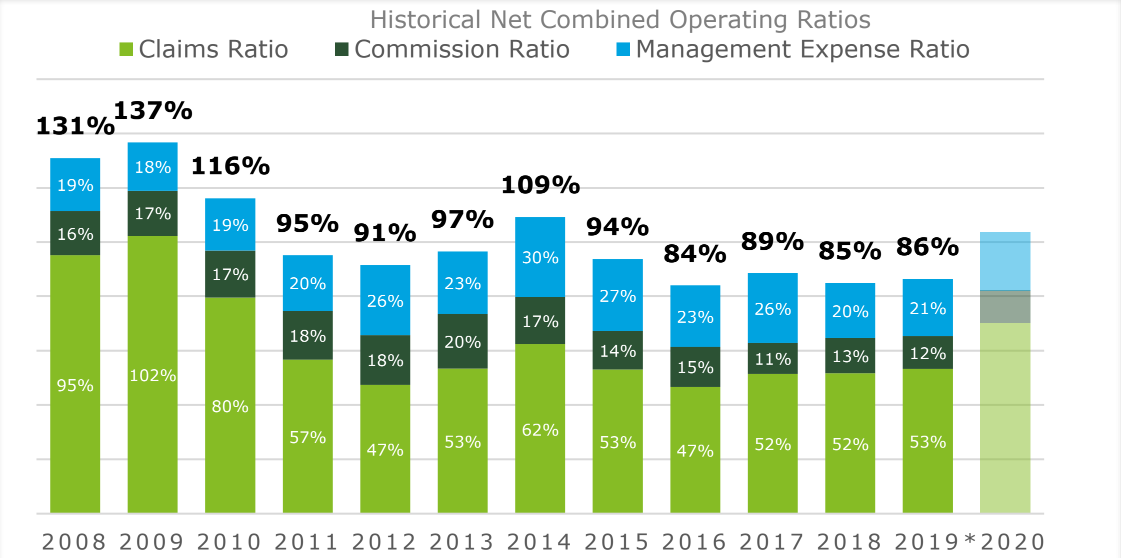
Note: these are Dublin-only statistics, and mobility data published by Google and Apple indicate that usage in rural counties rebounded at a faster rate.

Irish Property and Liability Market

Irish Property Market – Key Trends

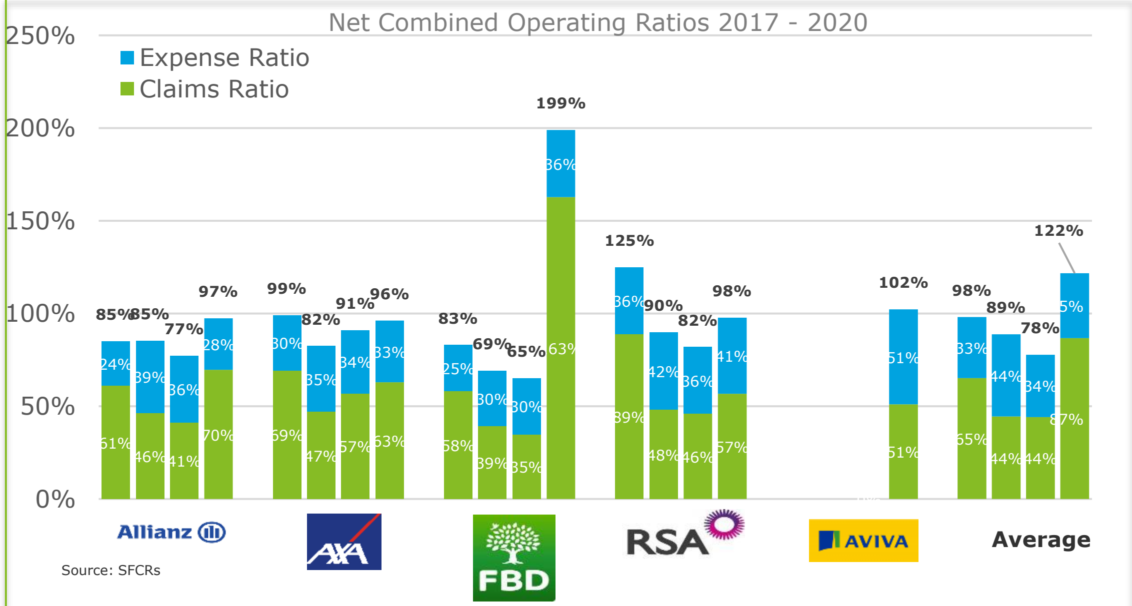


Source: Insurance Ireland



Source: 2012-2019 Insurance Ireland Factfile, Government of Ireland

* 2020 are market estimates

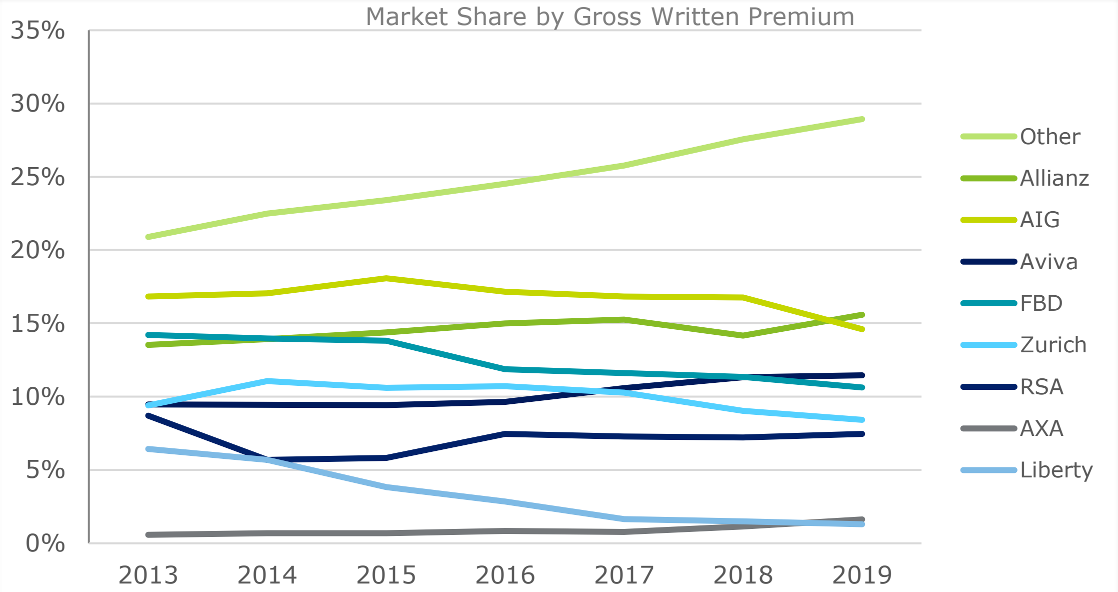


Source: SFCRs

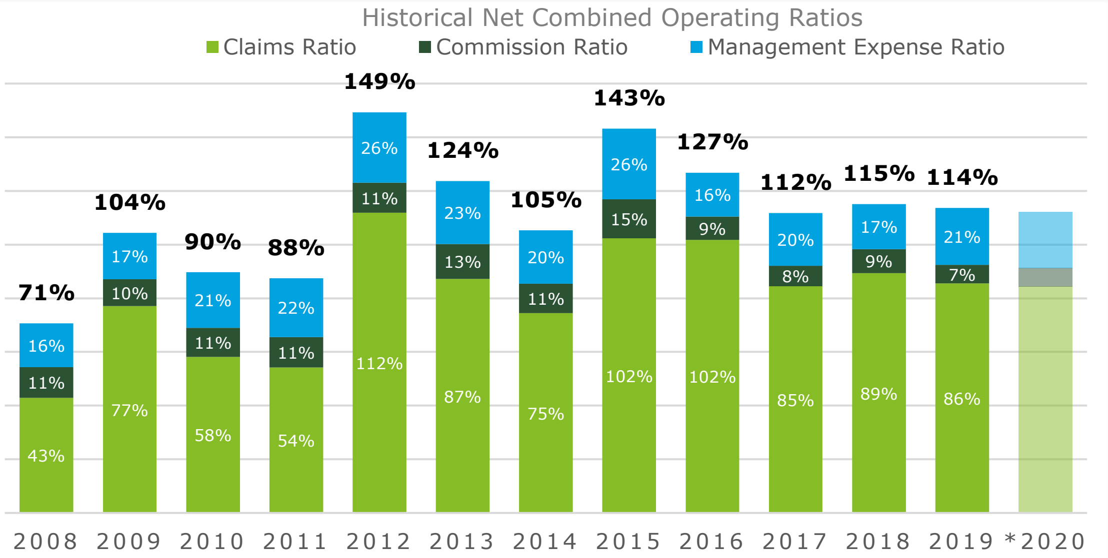
Commentary

- The market has been relatively stable in terms of market share.
- Allianz has the largest market share, closely rivalled by Aviva.
- RSA has noticeably decreased its market share from 20.8% (largest market player in 2012) to 13% in 2019.
- Liberty and FBD have also decreased their market share since 2014.
- Liberty and IG have the smallest market shares at around 3.5% each.
- Even considering major events in recent years (Emma, Ophelia) the Market has been profitable 8 times in last 10 years. 2020 may be loss making as a result of Covid-19 exposures on commercial property policies.

Irish Liability Market – Key Trends

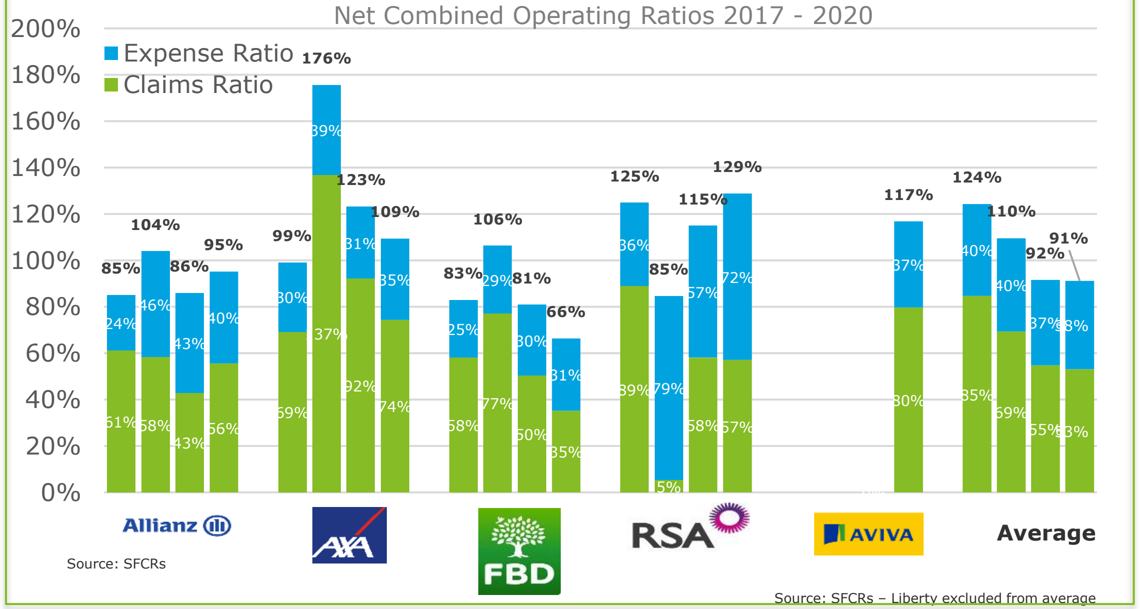


Source: Insurance Ireland



Source: 2012-2019 Insurance Ireland Factfile, Government of Ireland

* 2020 GWP are market estimates



Source: SFCRs

Source: SFCRs – Liberty excluded from average

Commentary

- Market is dominated by IPB rather than one of the 8 main players.
- Allianz has the largest market share of named companies at 15.6%.
- AXA, RSA, Zurich, FBD, AIG and Liberty have all experienced a decrease in market share since 2016.
- FBD has been consistently decreasing market share since 2012
- In the last ten years, the market has only been profitable twice, last in 2011, however the SFCR data for named participants indicates that performance may have improved during 2020.
- Liberty/RSA results are skewed by the impact of reinsurance.

Sustainability

Greg Lowe | Director of Sustainable Finance | Deloitte UK
Marc Aboud| Director | Deloitte Ireland

The evolving insurance climate landscape

Through the pursuit of net zero strategies, a more connected climate landscape is evolving – one which is demanding nature-based solutions and second-order social impacts be integrated into firms' climate strategies

Regulatory advances and feedback loops on climate change

The advance of regulatory developments, to both help insurers think about, and understand new risks, continues to develop and will continue to be a priority for regulators and the insurance industry. These are early days for this type of regulation and reporting, so new learnings will continue to inform both how regulators respond and how these regulations impact potential strategy. The response of the Bank of England's PRA to the CBES in the UK should be carefully watched as it will show where the regulator sees potential strengths and weaknesses.

Collaboration, levelling-up and expanding outlooks on climate

The next year will be crucial in understanding the full range of climate risks insurers face and to focus on where the gaps might be. Insurers should be thinking about the role they play in the wider financial system as well, given that banks are subject to stress testing also, and starting to consider the role risk transfer capital plays. Industry collaboration will be crucial to navigate the years ahead – the industry needs to think outwards, through collaborative iniatives such as ClimateWise.

Net zero strategies begin to permeate the entirety of insurers

Behind all of this, we now have over two thirds of the global economy committed to some kind of net-zero goal – insurers that haven't considered transition risk when planning investment in future lines of business need to do so now, or likely fail.
A growing number of insurers are starting to align to their own net-zero targets, often from an operations or investment angle, but the Net Zero Insurance Alliance demonstrates this is beginning to permeate the entirety of an insurer.

Emerging systematic environmental risks and climate overlaps

As insurers continue their TCFD exercises, focus should be on the strategic insights the process gives you, rather than the reporting itself, which will become a requirement across much of the world in coming years. Insurers should seize the opportunities the energy transition and resilience brings to business. Further, there are other systemic environmental risks lapping at our shores – biodiversity and natural capital have significant overlap with climate risk and are getting the same kind of attention climate change was getting several years ago.

The evolving insurance climate landscape

Through the pursuit of net zero strategies, a more connected climate landscape is evolving – one which is demanding nature-based solutions and second-order social impacts be integrated into firms' climate strategies

Nature-based focus – role in net zero and adaptation

Following the Das Gupta Review, firms are increasingly seeking to value and assess impacts and dependencies on nature. Emerging standards exist to support with this valuation (e.g. Partnership for Biodiversity Accounting Financials (PBAF) - this requires updates to measurement, risk assessment and forecasting processes, in line with emerging reporting developments from the Taskforce for Nature-related Financial Disclosures.

Increased quantitative focus

As the need for quantitative reporting evolves, insurers are seeking to understand how and when standardised metrics will be introduced across the industry and what that will mean for reporting. Interest is growing on how might the ClimateWise Principles, Guidance and member reporting process similarly develop, and if there a role for expected KPIs or data sheets.

Just transition strategies - connection of ESG 'S' with net zero

The pursuit of net zero generates new social equity challenges as it potentially expands the existing and creates new protection gaps. This leads to new protection opportunities, for example around income protection, in relation to job losses as industries transition. Emergent financing alliances are committing through net zero strategies to the pursuit of a 'just' transition. Place-based financing considerations are emergent as a framework for examining impact.

A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers.

Building back better post-COVID

The Covid-19 pandemic has shone a light on the role of the industry and opportunities for building back better. Either through due diligence through underwriting and investment decision-making, or through the opportunities to leverage sustainable claims and build adaptative and mitigative capacity.

Establishing an ESG Journey

ESG best practice is a series of steps

Governance

Develop new risk structures – or build on existing ones – to equip the organization with ESG oversight.

Frameworks

Identify which frameworks are best suited for the business.

This can help determine KPIs, metrics and objectives.

Strategy

Define and bring the sustainability strategy to life.

Integrate ESG issues and consider steering portfolios.

Climate scenario analysis can actively support risk mitigation planning.

ESG integration

Innovation can be catalysed by adjusting or expanding the product offering.

Counterparty engagement can help reframe business models.

Embedding ESG into operations can enable a more resilient business

Capital can be reallocated to drive greater impact.

ESG regulatory requirements

Set out below is a summary of the key EU and UK sustainable reporting requirements. There may be additional local reporting requirements and a number of voluntary reporting frameworks that firms can sign up to

		What is it?	Status
EU	EU Sustainable Finance Taxonomy Regulation	• A common classification of economic activities significantly contributing to six environmental objectives, using science-based criteria	• **Jan 2022 -** the Delegated Act on the **first two objectives are expected to apply** (remaining 4 expected Jan 2023) • **Jan 2022** - EU to **publish a report** on the taxonomy and **social/non-green issues**
EU	Sustainable Finance Disclosure Regulation (SFDR)	• SFDR imposes **mandatory ESG disclosure obligations** for asset managers and other financial markets participants • **March 2021** - Level 1 principle based disclosures required	• **Jan 2022 -** Periodic reporting and taxonomy alignment disclosures (for environmental objectives) to begin for Art 8 & 9 Products that promote a sustainable investment objective. • **July 2022 (originally Jan 2022) –** SFDR "RTS" on more detailed Level 2 requirements for pre contractual and periodic reporting including Principal Adverse Impact (PAI) Reporting
EU	Non-financial Reporting Directive (NFRD)/ {NEW} Corporate Sustainability Reporting Directive (CSRD)	• Reporting by large and listed companies on their sustainability risks and impacts • All listed companies or large companies that exceed 2/3 of the following: 1) BS €20M, 2) Rev €40M 3) 250 staff	• **Mid 2022** - CSRD r**eporting standards** become available • **Jan 2023** - Firms apply CSRD standards for the first time to reports published in 2024. **Reporting through annual report, digitisation, mandatory limited assurance**
UK	PRA disclosure requirements	• Banks, buildings societies, insurance companies and FCA premium listed aligned towards Task Force for Climate Related Disclosures (TCFD)	• **Jan 2022 -** The PRA will **review the quality of banks and insurers' 2021 TCFD disclosures**. The PRA will review disclosures after this deadline and determine whether additional measures are required.

Overview of key supervisory expectations for insurers

As we approach COP26, we expect heightened focus by all stakeholders on the credibility of firms' net zero plans. Climate risk, ESG disclosures, "greenwashing", and ESG data will also remain key priorities for firms

Differential Pricing, Business Continuity, and Future Considerations

Derville Rowland | Director General, Financial Conduct | Central Bank of Ireland

Our mandate is to deliver effective and purposeful supervision that **safeguards the interests of policyholders** and **supports a robust insurance sector** with firms that:

- Have sufficient financial resources including under plausible but severe stresses, are resilient, and can be resolved effectively in the event of financial distress
- Have established robust governance and risk management frameworks
- Behave well and have consumer centric cultures
- That are proactively developing their business models in order to operate effectively in the future insurance landscape

Differential Pricing - *Our proposals*

Ban the practice of price walking in private motor and home insurance

Require providers to review their pricing policies and processes annually - to ensure that insurance providers maintain focus on their pricing practices and the impact of such practices on their customers

Introduce new consumer consent and disclosure requirements to ensure the automatic renewal process is more transparent for all personal non-life insurance products.

Public consultation on our proposals open until **22 October**

Business Interruption Insurance

System wide examination

Development of BI Insurance Supervisory Framework
Analysis of 200 different policy types across 27 insurers

Supervisory Engagement

- Identified 31,000 policies responsive to BI
- Firms expected to firms identify and contact all potentially affected policyholders

Claims oversight

- Over €130 million paid on 4,371 policies to date
- Continued monitoring to ensure insurers continue to meet their obligations on all claims

Looking ahead

Digitisation

Climate Change

European developments

Individual Accountability Framework

Q&A

Moderated by Donal Lehane| Partner | Deloitte Ireland

Please put your questions in the Question Box on the panel

Deloitte.

Insurance Webinar Series:

2022 Insurance Industry Trends

Thank you for attending